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SECURITY INFORMATION

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GENERAL

1. French Foreign Office views on Sino-Soviet conference:
A primary aim of the Chinese Communist mission to Moscow is to request military and economic aid, according to French Foreign Office thinking. Other important subjects of the talks are expected to be the Sino-Soviet treaty of February 1950, Korean policy, and relations with Japan since the signing of the San Francisco treaty.

The Foreign Office spokesman speculated that the timing of the talks is related to the Korean armistice negotiations, the situation in Japan, US elections, and the Asian peace conference scheduled for September. The talks probably portend important policy decisions on such matters as a Communist bloc peace treaty with Japan and economic bait to induce that nation to enter into relations with Communist China. (C Paris 1063, 19 Aug 52)

Comment: This meeting is expected to result in a new agreement for long-range economic and military assistance from the USSR to China, which will ensure Peiping's adherence to its commitment in Korea and also to common policies toward Japan and Southeast Asia. At the same time, such an agreement will strengthen the Soviet voice in Chinese economic and military affairs.

2. First exports to China under Moscow Conference contracts licensed by Britain: The British Board of Trade has confirmed that in the last two weeks of July it issued licenses for the export of nearly 1,000,000 pounds' worth of "nonstrategic" chemicals, chiefly dyestuffs and caustic soda, to Communist China under contracts solicited by British firms at the Moscow Economic Conference and completed with Chinese Communist trade representatives in East Berlin. A director of one of the British firms involved states that his firm's first consignment

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of about 5,000 tons will leave the United Kingdom in early September. (C London Desp 489, 28 July 52)

Comment: The trade referred to represents the first effective result of the preliminary Anglo-Chinese negotiations at the Moscow Economic Conference four months ago. At that time, British interests contemplated that trade with Peiping as a result of the Conference would amount to 10,000,000 pounds each way, in chemicals, textiles, and metals.

EASTERN EUROPE

3. Yugoslav Charge comments on Hungarian charges of border aggression: In commenting on a recent Hungarian protest alleging the blasting by Yugoslavia of a Mura River bridge joining the two countries, the Yugoslav Charge in Budapest has expressed doubts to American officials that the Yugoslavs deliberately dynamited the bridge. He attributes the blasting to either inadvertence on the part of Yugoslav soldiers or to Hungarian intrigue, and contends that the bridge incident is not related to the Mura River island dispute. He admits, however, the frequency of air violations on both sides.

In addition, the Charge points out that the "current misunderstandings" in the operation of the joint Hungarian-Yugoslav Railroad Directorate may lead to the severance of the only remaining rail link between the two countries. (C Budapest 156, 18 Aug 52)

Comment: Numerous reports have indicated that the Yugoslavs have been mining certain bridges and roads bordering on the Satellite frontiers.

On 16 August Hungary sent a protest to Yugoslavia charging "increasingly aggressive frontier provocations" and stating that relations between the two countries are becoming "increasingly tense."

4. Soviet-built thermoelectric station opens in Rumania: The "most modern" thermoelectric plant in Rumania, the Ovidiu Number 2 Station on the Danube-Black Sea Canal site, was inaugurated on 17 August. Projected by "USSR specialty institutes," the new station is "wholly provided" with equipment produced by Soviet plants and "has been constructed and assembled with the help of Soviet experts."

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The inaugural ceremony was attended by several top Rumanian officials and representatives of the diplomatic corps "headed by members of the Soviet Embassy." (R FBIS Bucharest, 19 Aug 52)

Comment: This is the second thermoelectric plant to begin operating this month, the first being the "Gheorghe Gheorghiu-Dej" Thermocentral at Doicești which was reportedly built with the assistance of Czech technicians.

Emphasis given the role of the Soviet Union in the conception and construction of the Ovidiu plant is significant in view of reported Soviet interest and seemingly complete control in the Dobruja area through which the Danube-Black Sea Canal will pass.

5. Yugoslavia judged better able to cope with drought: American officials in Belgrade believe that Yugoslavia is better able to offset this year's drought damage than in 1950. The Tito regime is attacking the problem energetically, but it is probably relying on additional foreign aid coupled with reduced capital imports to tide it over. (C Belgrade 208, 19 Aug 52)

Comment: The Yugoslav Federal Economic Council estimates the damage to crops to date at approximately \$300,000,000. The government has taken steps to cut imports, increase certain exports, and restrict exports of critical agricultural products. The Yugoslav economic situation is chronically poor, however, and consequently a bad crop inevitably produces severe repercussions.

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FAR EAST

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South Korean Minister of Finance may be impeached: ☐

Finance Minister Paek Tu-chin will be impeached as soon as the National Assembly reconvenes. Paek will be charged with misappropriating 20 billion ROK won (over \$3,000,000) for political purposes. ☐

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Comment: Before the National Assembly adjourned for the presidential elections, it had been investigating a report that the Finance Minister, among others, had misused funds accruing from the sale of tungsten. Paek, though considered very competent in his field, is a Rhee follower and impeachment proceedings against him could be a move on the opposition's part to test its strength. The US Embassy reported that during a brief period in June, the special tungsten fund in the Bank of Korea declined by about 18 billion won.

7. A Chinese Communist labor federation plans to aid Japanese strikers: American Ambassador Dowling in Vienna reports that the All-China Federation of Labor at Peiping plans to send \$5,000 to Japanese strikers. A ranking official of the WFTU has proposed that the funds be transmitted through the union's Peiping liaison office. (C Vienna 8296, 19 Aug 52)

Comment: Left-wing elements in SOHYO, the General Council of Japanese Trade Unions, recently voted overwhelmingly against a motion to affiliate as a body with ICFTU. A donation from Communist China would likely bolster the left-wing element and increase its regard for the WFTU.

8. Dairen electric power cut off after UN bombings: Dairen had no power for three days and nights after UN planes bombed the Yalu River installations in June, according to a report passed on to the American Consul General in Hong Kong by a source just arrived from North China. (C Hong Kong 432, 19 Aug 52)

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Comment: No reliable reports are at hand disclosing the extent of damage to Manchurian industrial production resulting from the bombings of the Yalu River power installations. The effect on Dairen's production was probably substantial, since the city draws most of its power from the Suiho Dam on the Yalu River. The bombings thus aggravated a power shortage which was already chronic in the city.

9. Peiping adopts program for 40 million people of minorities:
A program for "national regional autonomy" for more than 100 minority nationalities, totaling about 40 million of China's 475 million people, has been adopted by the Central People's Government. The 130 "autonomous regions" already proclaimed--the largest of which is the Inner Mongolian Autonomous Region occupying the western third of Manchuria--include about 4.5 million people.

Providing for "self-governing organs" with the status of regional governments, the program, which is patterned on the Soviet model, declares that they shall be placed under the "over-all leadership" of Peiping. This is similar to Peiping's euphemistic practice of claiming that the Chinese Communist Party is the "leader" in a multi-party regime.

The program authorizes the "autonomous regions" to develop their own cultural, educational, financial, economic and security systems, but only within lines drawn by Peiping. While each allegedly self-governing organ may enact "its own" laws, it must submit them to the Communist administration for approval. The governing apparatus of these regions is not expected to differ significantly from that of any other part of Communist China. (Factual data from: R FBIS Peiping, 15-19 Aug 52)

10. Chinese Communists capture four off-shore islands: On 2 August, according to official Chinese Nationalist sources, small numbers of Chinese Communist troops took four small islands off the north coast of Fukien Province, but occupied only three of these. The Nationalist Ministry of National Defense apparently is not greatly concerned over the situation. (S US ARMA Taipei CF 241, 18 Aug 52)

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Comment: Matsu Island, the main Nationalist base in this area, is approximately 30 miles away. It seemingly is not in immediate danger of attack.

The Communists appear to be concentrating, at present, on those islands which will offer little resistance and can be taken with a minimum commitment of troops and materiel.

11. Chinese Communist gunboats fire on British reconnaissance plane: Two Chinese Communist gunboats in Chinese waters off Hong Kong fired on an unarmed Royal Air Force reconnaissance plane on 4 August. The aircraft was undamaged. (S ASTALUSNA Singapore A-2, 19 Aug 52)

Comment: The British effort to maintain an active reconnaissance of the islands near Hong Kong has met with increasing Communist pressure. On 18 May two gunboats fired on a British plane near Linting Island.

12. Cambodian dissident leader has not yet reached agreement with Viet Minh: [redacted] the Cambodian dissident Son Ngoc Thanh has been unable to rally other Cambodian rebel bands to his command or to reach an agreement with Viet Minh representatives. [redacted] [redacted] Thanh is unwilling to assume a position subservient to the Viet Minh. [redacted]

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Comment: Since his defection in early March, former premier Thanh has attempted to unify the various dissident bands in Cambodia and is alleged to have sought the support both of Viet Minh elements in Cambodia and Thai government officials.

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13. Indonesian committee for Asian peace conference consults prime minister: The Indonesian National Preparatory Committee for the Asian peace conference at Peiping consulted Prime Minister Wilopo on 16 August to ascertain the government's attitude toward committee plans to send a delegation to the conference and to hold a "Peace Week" in Indonesia. The Prime Minister asked the committee to aid the government in speeding the rehabilitation of the country and in easing domestic controversies. He said he was confident that the committee would execute its tasks satisfactorily. (R FBIS Djakarta, 19 Aug 52)

Comment: It appears that the government will not hinder the committee's plans to send a delegation to Peiping.

SOUTH ASIA

14. Chinese troops reportedly encamped inside Bhutan: According to the American Air Attache in India, a source conducting an aerial survey reports that in April he positively identified Chinese Communist troops encamped inside Bhutan along a line running from Punakha in the west to Shali on the eastern border, some 30 to 50 miles south of the Tibetan frontier.

The source, who flew sufficiently low to observe carts tents, and a Chinese flag flying over one encampment, states that the flag had been taken down before he made his second pass over the area. He also says that the Indian Government has aerial photographs of the troops. (S AIRA New Delhi IR-45, 6 May 52)

Comment: This information is the most specific that has been received on Chinese penetration of the eastern Himalayan borderlands. There is the possibility that the encampments were checkpoints, which reportedly have been established by the Bhutanese Government to prevent Tibetan infiltration. On the other hand, Chinese Communist troops have been posted all along the southern Tibetan border, and it is common practice for them to patrol up to 50 miles inside the northern frontier of Kashmir, until they meet Indian and Pakistani resistance.

Chinese occupation of Bhutan would place them within easy striking distance of all major road, rail, and river communications routes connecting Assam with the rest of India.

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NEAR EAST - AFRICA

15. Soviet Embassy said to be supporting Tudeh Party:
Iranian Army Intelligence is convinced that the Soviet Embassy in Tehran is engaged in logistic and financial support of the Tudeh, but that its activities are conducted indirectly through Iranian agents. Subversive agents, including a few Russians, continue to cross the Iranian frontier.

Clandestine arms traffic in Tehran is increasing. There are some Soviet arms shipments across the north-western border to tribesmen and Azerbaijan Democrats, but the weapons available to the Tudeh in Tehran come from illegal local stocks. (S US ARMA Tehran M-155, 18 Aug 52)

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WESTERN EUROPE

16. Austrians negotiate UN support despite anticipated unfavorable Soviet reaction: The Austrian observer at the United Nations believes that the Soviet delegate will declare that any attempt to place the Austrian question on the agenda of the General Assembly is an attempt to "invalidate or preclude" action against a former enemy state, will hold that the Austrian item is "illegal," or will advance counterdemands by raising the questions of Trieste and the Italian peace treaty.

The Austrian official reports that his government has so far received replies from eleven United Nations members to its July memorandum appeal; with the exception of Sweden and India, these governments are believed favorably disposed toward the Austrian case. Austrian and Brazilian officials are now drafting a resolution for presentation to the General Assembly calling upon the four occupying powers to proceed with arrangements for termination of the Austrian occupation. (C New York 158, 19 Aug 52)

Comment: The United States has supported efforts to bring the Austrian treaty question before the UN, but has hoped that the move would have wide sponsorship and that the resolution would go beyond a simple demand for evacuation of troops. Preliminary reactions indicate that Britain and France are probably more hesitant than the United States about discussing the Austrian issue in the United Nations.

17. Italian Defense Minister Pacciardi may be appointed Ambassador to the United States: The possibility that Italian Minister of Defense Randolfo Pacciardi may soon replace Alberto Tarchiani as Ambassador to the United States is being discussed in prominent Italian political circles, according to information given the American Military Attache in Rome by a usually reliable Italian official. (C USARMA Rome MAR 2471, 18 Aug 52)

Comment: There have been previous reports that Pacciardi would like to become Ambassador to the United States, a post held by Tarchiani since the end of the war. As Defense Minister, Pacciardi has been severely criticized by Italian regular army officers, who resent taking orders from the man who led a contingent of Italian anti-Fascist volunteers on the side of the Loyalists in the Spanish Civil War.

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Meanwhile, Interior Minister Scelba's recent "temporary" retirement from the cabinet, ostensibly for reasons of health, has been interpreted by some Italian politicians as portending a shift to the right by the government in anticipation of the 1953 elections. Pacciardi's departure from the cabinet would be an added reason to suspect that De Gasperi hopes to appease conservative groups.

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